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September 4, 2001

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Ms. Magalie Salas  
Secretary  
Federal Communications Commission  
Romm TW-A325, The Portals  
445 Twelfth Street, S.W.  
Washington, DC 20554

RE: In the Matter of Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from Ameritech Corporation, Transfer, To SBC Communications, Inc., Transferee.  
(CC Docket No. 98-141)

Dear Ms. Salas:

Pursuant to Appendix C (Merger Conditions) regarding the SBC Communications Inc.'s (SBC) compliance with the conditions set forth in the Federal Communications Commission's (FCC's) Order approving the SBC/Ameritech Merger, SBC Submits herein the report of its independent auditor, Ernst & Young LLP, regarding the Company's compliance during the period January 1, 2000 through December 31, 2000.

Once SBC has had an opportunity to thoroughly conduct a review of this report and the auditor's work paper, SBC will be prepared to respond to or otherwise address any issues contained in them.

Sincerely,

A handwritten signature in cursive script, reading "Sandra L. Wagner", followed by a horizontal line.

Attachments

Cc: Ms. Carol Matthey  
Mr. Anthony Dale  
Mr. Hugh Boyle  
Mr. Mark Stephens

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## Report of Independent Accountants

To the Management of SBC Communications Inc.

We have examined SBC Communications Inc.'s (the "Company" or "SBC") compliance with the Merger Conditions<sup>1</sup> during the Evaluation Period<sup>2</sup> and management's assertion, included in the accompanying Report of Management on Compliance with the Merger Conditions ("Report of Management"), that SBC complied with the Merger Conditions during the Evaluation Period, except as noted therein. At the direction of the FCC Staff and the Company, the Company's compliance over Conditions 1 and 24 of the Merger Conditions is not addressed in the Report of Management and is not reported upon herein. Management is responsible for the Company's compliance with the Merger Conditions. Our responsibility is to express an opinion based on our examination.

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<sup>1</sup> Merger Conditions are set forth in the Appendix C of the Federal Communications Commission's ("FCC's") Order Approving the SBC/Ameritech Merger (*Applications of Ameritech Corp. and SBC Communications Inc. for Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Section 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, 90, 95 and 101 of the Commission's Rules*, CC Docket No. 98-141, *Memorandum Opinion and Order*, 14 FCC Rcd 11712 (1999)). Condition 11, "Collocation Compliance," of the Merger Conditions requires the Company to provide collocation consistent with the FCC's Collocation Rules as defined in *Deployment of Wireline Service Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, *First Report and Order* (FCC 99-48), 14 FCC Rcd 4761 (1999), as modified by *GTE Service Corporation v. FCC*, 205 F.3d 416 (D.C. Cir. 2000) ("GTE Service Corporation"), and as modified and expanded by *Deployment of Wireline Service Offering Advanced Telecommunications Capability and Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket Nos. 98-147 and 96-98, *Order on Reconsideration And Second Further Notice Of Proposed Rulemaking In CC Docket No. 98-147 And Fifth Further Notice of Proposed Rulemaking in CC Docket No. 96-98* (FCC 00-297), 15 FCC Rcd 17806 (2000), as modified by the waiver granted to SBC in *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, *Memorandum Opinion and Order* (DA 00-2528), released November 7, 2000 ("Waiver Order"), and collocation rules codified in 47 C.F.R. Sections 51.319 (a)2(iv), 51.321, and 51.323 as modified by GTE Service Corporation and by the waiver granted to SBC in the Waiver Order. Additionally, "Collocation Compliance" as referred to in this report includes compliance with certain collocation-related requirements applicable only to SBC, which were adopted as conditions to the FCC's order modifying the separate affiliate for advanced services requirements of the Merger Conditions. These collocation-related requirements are discussed in paragraphs 5(a), 5(b)(1), 5(b)(2), 5(c), 5(d), and 6 of Appendix A of the *Ameritech Corp., Transferor, and SBC Communications, Inc., Transferee, For Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Sections 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, 90, 95, and 101 of the Commission's Rules*, CC Docket No. 98-141 and ASD File No. 99-49, *Second Memorandum Opinion and Order* (FCC 00-336), rel. September 8, 2000.

<sup>2</sup> The Evaluation Period is January 1, 2000 through December 31, 2000, with the exception of Condition 11, "Collocation Compliance," which is June 9, 2000 through December 31, 2000.

To the Management of SBC Communications Inc.

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Except as discussed in paragraphs three and six b of this report, our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

As discussed in the first paragraph of this report, this report does not address compliance with Conditions 1 and 24. Condition 1 is addressed in a separate agreed-upon procedures engagement report of Ernst & Young LLP. Condition 24 will be the subject of a separate attestation engagement report of Ernst & Young. As required by Condition 26, "Compliance Program," the Company filed an annual compliance report on March 15, 2001, which included information related to Conditions 1 and 24. The procedures performed for Condition 1, which were agreed to by the FCC and SBC, did not include any procedures for testing the accuracy of the Company's annual compliance report with regard to Condition 1. Accordingly, we did not perform any such procedures. Additionally, we did not perform any procedures regarding the information contained in the annual compliance report for Condition 24.

The FCC Staff's interpretation of the transition mechanisms set forth in Paragraph 4 of Section 1 of the Merger Conditions has deemed the Company's policy of not requiring collocation applications to be filed by the Company's advanced services affiliate during the 180-day transition period ended April 5, 2000 to be in noncompliance with Condition 1 of the Merger Conditions and, as a result, in noncompliance with the nondiscriminatory requirements of the FCC's Collocation Rules referenced in Condition 11 of the Merger Conditions. Under this interpretation, placements of collocation equipment made by the Company during the Evaluation Period that originated during the 180-day transition period without an application are deemed by the FCC Staff to be in noncompliance with the nondiscriminatory requirements of the FCC's Collocation Rules. The FCC Staff has informed us that its interpretation was communicated to SBC in a letter dated October 16, 2000 from Ms. Carol Matthey of the FCC to Ms. Cassandra Carr of SBC. SBC has informed us that the October 16, 2000 letter does not address the issue regarding the filing of collocation applications by the Company's advanced services affiliate during the transition period but rather addresses the FCC Staff's interpretation that the SBC incumbent local exchange companies could not perform network planning and engineering services on behalf of the Company's advanced services affiliate on an exclusive basis after the 180-day transition period. Additionally, the Company has informed us that its dispute of the FCC Staff's interpretation has been communicated in an affidavit submitted to the FCC in response to

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a letter dated October 18, 2000 from Mr. David Solomon of the FCC to Ms. Cassandra Carr and Ms. Marian Dyer of SBC and in a letter dated November 1, 2000 from Mr. Michael Kellog on behalf of SBC to Ms. Carol Matthey of the FCC. The Company's compliance with this specific collocation rule is primarily a legal determination, and as discussed in paragraph two above, we are unable to make a determination of the Company's compliance with this specific collocation rule related to these different interpretations.

Additionally, it is the Company's understanding that, under Title 47 Parts 51.321(d) and (e) and 51.323(b) of the Code of Federal Regulations, the Company satisfies its evidentiary obligations to the relevant state commissions concerning a denial of a collocation request based on the Company's determination that the request was not technically feasible or the equipment was not necessary for the purpose of obtaining interconnection or access to unbundled network elements by proving that such denial was appropriate only when a requesting telecommunications carrier disputes before that state commission the Company's determination, or the state commission otherwise requests the submission of such proof. Further, it is the Company's understanding that, under Title 47 Part 51.321(h), the Company's policy of posting a notice of exhaustion after the Company becomes aware in the course of business that collocation space is exhausted complies with the FCC's Collocation Rules. Based on this understanding, the Company's policy was not deemed to be in noncompliance with these related rules.

Our examination disclosed the following material noncompliance with the Merger Conditions applicable to the Company during the Evaluation Period:

- a. Condition 3, "Advanced Services Operations Support System," Condition 14, "Carrier-to-Carrier Promotions: Unbundled Loop Discount," and Condition 15, "Carrier-to-Carrier Promotions: Resale Discount," require the Company to provide discounts to Competitive Local Exchange Carriers ("CLECs") for orders of certain products, including but not limited to unbundled loops for advanced services and unbundled network element facilities used to provide residential telephone services to end-user customers, and residential resale discounts. The Company was required to apply these discounts within 60 days of the initial billing for the service through credits, true-ups, or other billing mechanisms. However, during the Evaluation Period, certain discounts were not provided within 60 days of the initial billing for the service as required by the Merger Conditions or were not provided. In the Ameritech States<sup>3</sup>, during the Evaluation

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<sup>3</sup> Ameritech States refers to Illinois Bell Telephone Company; Indiana Bell Telephone Company, Incorporated; Michigan Bell Telephone Company; The Ohio Bell Telephone Company; and Wisconsin Bell, Inc. collectively.

To the Management of SBC Communications Inc.

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Period no discounts were provided on all eligible CLEC orders related to Conditions 3 and 14. Additionally, for certain eligible CLECs in the Ameritech States, the promotional discount related to local usage for Condition 15 was not provided within 60 days of the initial billing for the service as required by the Merger Conditions. Discounts related to Condition 3 at The Southern New England Telephone Company were not provided on all eligible CLEC orders during the period of June through December 2000 due to an error in the update of a rate table. For certain eligible CLECs at Southwestern Bell Telephone Company related to Condition 15, the promotional discount related to recurring local service and local usage was not provided within 60 days of the initial billing for the service as required by the Merger Conditions. At Pacific Bell Telephone Company and Nevada Bell Telephone Company, no discounts were provided on eligible CLEC orders of Integrated Services Digital Network Digital Subscriber Line ("IDSL") as required by Condition 3; and for certain eligible CLECs related to Condition 15, the promotional discount for local usage was not provided within 60 days of the initial billing for the service as required by the Merger Conditions.

- b. Condition 7, "Carrier-to-Carrier Performance Plan," requires the Company to report, on a monthly basis, operational performance in 20 measurement categories specified in the Merger Conditions. Certain of these measurements contained errors as described in Attachment A to this report. Additionally, certain of these errors may have potentially impacted the Company's calculation of monthly voluntary payments made to the United States Treasury in accordance with Condition 7. The Company has informed us that certain of these errors can only be corrected on a prospective basis due to the inability of the Company to retrieve the underlying data necessary to restate the performance measures. The Company has also informed us that it is unable to determine the impact, if any, of these errors on the voluntary payments that were made related to the Evaluation Period. Accordingly, we are unable to, and do not, express an opinion on the accuracy of the Company's compliance with the requirement to accurately calculate and remit voluntary payments.
- c. Condition 11, "Collocation Compliance," requires the Company to provide collocation consistent with the FCC's Collocation Rules. The following was noted:
  - 1. Title 47 Part 51.321(h) requires the Company to maintain a publicly available document, posted for viewing on the incumbent local exchange carrier's publicly available Internet site, indicating all premises that are full, and to update such a document within ten days of the date at which a

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premise runs out of physical collocation space. The Enforcement Bureau of the FCC determined *In the Matter of SBC Communications Inc. Apparent Liability for Forfeiture*, File No. EB-00-IH-0326a NAL/Acct. No. 200132080015, *Order of Forfeiture*, DA 01-1273, rel. May 24, 2001, that the Company violated the aforementioned rule related to the Company's policy of posting a notice of exhaustion after the Company becomes aware in the course of business that collocation space is exhausted. The Company has disputed this *Order of Forfeiture* and has maintained this policy throughout the Evaluation Period. Additionally, we noted instances where the Company did not post updates to the Internet site within the required ten-day period in accordance with the Company's policy described above.

2. The Waiver Order, as defined in footnote one of this report, requires the Company to notify a requesting carrier whether its physical collocation request can be accommodated within 8 business days (roughly, 11 calendar days) of the Company's receipt of a physical collocation application, except to the extent a state has set its own intervals. We noted instances in which the Company did not provide notification to the carrier of whether its physical collocation request could be accommodated within the appropriate timeline.
3. We noted instances where the Company over- or under-billed collocation charges to affiliated and nonaffiliated telecommunications carriers for both recurring and nonrecurring charges.
- d. Condition 26, "Internal Compliance Program," requires the Company to file, for public record, an annual compliance report detailing the Company's compliance with the Merger Conditions. The Company filed its annual compliance report covering the year ended December 31, 2000 on March 15, 2001 as required. The filed annual compliance report did not note the material noncompliance related to Condition 11, items 1 and 3 noted above.

In our opinion, limited as to Conditions 1, 24, and certain aspects of Conditions 7 and 26 as discussed in paragraphs one, three, and six b of this report, and considering the Company's interpretations of the FCC's Collocation Rules described in paragraphs four and five above, except for the material noncompliance described above, the Company complied, in all material respects, with the aforementioned Merger Conditions during the Evaluation Period, including the filing of an accurate annual compliance report, the Company providing the FCC with timely and accurate notice pursuant to specific

To the Management of SBC Communications Inc.

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notification requirements, and the Company providing telecommunications carriers and regulators with accurate and complete performance data.

This report is intended solely for the information and use of the Company and the FCC and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Ernst & Young LLP*

August 31, 2001

# Report of Independent Accountants

## Attachment A

Below is a listing of errors noted, by Performance Measurement (PM) and by region, for Southwestern Bell Telephone Company (SWBT), the Ameritech States (AIT), Pacific Bell (PB), Nevada Bell (NB), and Southern New England Telephone Company (SNET). For reporting purposes, PB and NB have been reported together and all exceptions reported relate to both PB and NB unless otherwise noted. Errors that impacted 1999 and 2000 that were reported in Attachment A to the 1999 Report of Management on Compliance With the Merger Conditions dated August 31, 2000 have been identified as such below. For items indicated as restated, we have verified that the Company did restate the PM; however, we did not verify the accuracy of the restated PM.

### OSS PM 1

#### SWBT

1. An incorrect benchmark and level of disaggregation were reported in January through May 2000. This was reported in the prior year. This PM was restated in July 2000.
2. During the Evaluation Period, manual entry of timestamps resulted in improperly calculated time intervals. This was reported in the prior year. Information is not available to restate.
3. For February 2000, errors occurred in formulas in spreadsheets used to report measures 1, 4d, 16, and 18 that caused misstated Z-values. This was restated in April 2000.

#### AIT

1. For the month of February 2000, for a state, the incorrect benchmark was reported. This was restated in 2000.
2. For the month of May 2000, improper exclusions were taken related to disconnected orders. This was restated in August 2000.

#### PB/NB

1. For PB only, February through May 2000 results were restated for a level of disaggregation reported in days rather than hours. This was restated in June 2000.
2. For PB only, December 2000 was restated in March 2001 to include data related to UNE Platform orders.
3. For NB only, July and August 2000 results were restated in August and October 2000, respectively, related to data errors.
4. For NB only, June and July 2000 data was restated in October 2000 for PMs 1 and 4d to correct a clerical error.
5. For PB only, March through May 2000 Z scores for PMs 1, 12b, 12c, and 16 were restated in July 2000.
6. For NB only, manual entry of response times related to facsimile orders were entered into the system at times later than the responses were actually sent which resulted in improperly calculated time interval. This measure was not restated.



7. For PB only, December 2000 results did not properly report certain levels of disaggregation. Information is not available to restate.
8. Service orders entered into a certain ordering system that was implemented in August 2000 identified all orders, including Nevada orders, as California orders. As a result, PMs 1 and 4d results for certain disaggregation levels for NB were misstated for August through December 2000. The volumes of transactions related to these errors were not deemed to materially misstate PB results for this measure. These measures were not restated.

#### SNET

1. Manual entry of response times related to facsimile orders manually entered into the reporting system did not include all relevant data which resulted in improperly calculated time intervals. Information is not available to restate.
2. For August 2000, a data processing error resulted in no data being reported for a level of disaggregation when results existed. SNET has not yet restated, but represented that they will restate this result.

### PM 2

#### SWBT

1. SWBT reported incorrect benchmarks for January and February 2000 under Version 1.6 of the Business Rules instead of Version 1.5 of the Business Rules. This was reported in the prior year and restated in April 2000.
2. Improper levels of disaggregation related to Customer Service Records (CSR) were reported through October 2000. This was reported in the prior year. Information was not available to restate. Additionally, a front-end system (Datagate) is not able to capture disaggregation for CLEC requests.

#### AIT

1. In January 2000 the numerator and denominator for a certain level of disaggregation were reported in seconds rather than hours. This did not impact the quotient reported.
2. For two levels of disaggregation, partial results were reported for the months of August and September 2000. The information was not available to restate.
3. During the Evaluation Period, two levels of disaggregation required by the Business Rules were combined into one level of disaggregation by AIT as AIT's systems and processes combine these two measures. The FCC Staff has informed us that the Business Rules do not allow two levels of disaggregation to be combined into one level.
4. During the Evaluation Period, a front-end ordering system of AIT was not capable of capturing data at a state level, and as such AIT reported these transactions at a regional level. The FCC Staff has informed us that AIT is required to report these transactions at a state level in accordance with the Business Rules.

#### PB/NB

1. For PB only, January through August, October, and November 2000 were restated at various times in 2000 and 2001 due to data errors related to a computer programming error.

2. For PB only, January and February 2000 were restated in April 2000 for a certain level of disaggregation.
3. August 2000 results were restated in November 2000 to include data for a level of disaggregation.

**SNET**

1. July through December 2000 results were restated in March 2001 due to the improper inclusion of detailed CSR queries.
2. In July, September, and December 2000 data for eight days was not passed to the PM reporting system resulting in the omission of the data from the results. Information is not available to restate.

**PM 3**

**SWBT**

1. Incorrect disaggregation levels were reported. This was reported in the prior year and restated in June 2000.

**AIT**

1. For July and August 2000, the numerator and denominator were incorrectly reported; however, the quotient reported was correct. This was restated in October 2000.
2. September 2000 results were restated in November 2000 related to an exclusion that was not taken.
3. November 2000 results were restated in January 2001 to properly report a level of disaggregation.

**PB/NB**

1. For NB only, March and April 2000 results related to PMs 3, 4c, 5c, and 8 were restated in June 2000 due to improper exclusion of certain data.
2. For NB only, March through July 2000 results were restated in December 2000 related to data errors.

**Provisioning**

**PM 4a**

**SWBT**

1. Due to improper source data, June through September 2000 were improperly reported. This impacted PMs 4a, 6a, and 7a. This was restated in November 2000.

**PB/NB**

1. During 2000 an exclusion was not taken as required by the Business Rules which impacted PMs 4a and 4d. The results were not restated.

**PM 4b**

**SWBT**

1. Due to data extraction problems, all source data for July 2000 was not used to calculate the PM. This impacted PMs 4b, 5c, and 13b. This was restated in September 2000.

AIT

1. Certain data was not included in the calculation of measures 4b, 4c, 5b, 5c, 6b, 7b, 7c, 11b, 11c, 12b, 12c, 13b, and 13c for the months of January and February of 2000. This was restated in April 2000.

PB/NB

1. For NB only, February through May 2000 results were restated in December 2000 related to data errors.

**PM 4c**

SWBT

1. Improper exclusion of two market offices for a level of disaggregation for the period of January through May 2000. This was reported in the prior year. Information is not available to restate.

AIT

1. July 2000 Z scores for PM 4c were incorrectly reported for certain states. This was restated in March 2001.
2. This PM was also impacted by AIT PM 4b-1 above.

PB/NB

1. For PB only, January and February 2000 results were restated in April 2000 due to data errors. A second restatement occurred in September 2000 related to data errors for the months of January and February 2000.
2. For PB only, January, February, May, June, and July 2000 Z scores for PMs 4c, 10b, 12c, and 13c were restated in September 2000.
3. At NB, January through September 2000 data was restated in December 2000 for PMs 4c, 5c, 6c, 8, 10b, 11c, 12c, and 13c to include certain data for all measures that report UNE dedicated transport.
4. This PM was also impacted by PB/NB PM 3-1 above.

SNET

1. July and August 2000 results for PMs 4c, 5c, 7c, 11c, 12c, and 13c included comparisons to the incorrect parity measure. This was restated in October 2000.

**PM 4d**

SWBT

1. This PM was erroneously omitted from reporting in November 2000 and was restated in December 2000.
2. This PM was also impacted by SWBT PM 1-3 above.

AIT

1. The benchmark for a state was incorrectly reported for May and June 2000 and was restated in August 2000.

PB/NB

1. January and February 2000 results and Z scores were restated in April 2000 due to errors in calculating the measure.
2. For NB only, January through July 2000 results were based on improper notice intervals and data errors resulting in misstated results. Results were not restated.

3. For NB only, March 2000 results for a level of disaggregation were incorrectly reported in hours instead of percent. Results were restated in August 2000.
4. For NB only, January and February 2000 results included misclassified data between two levels of disaggregation. Results were not restated.
5. For NB only, August 2000 results were posted incorrectly to the CLEC web site.
6. This PM was also impacted by PB/NB PMs 1-4, 1-8, and 4a-1 above.

#### **PM 5a**

##### **SWBT**

1. During the Evaluation Period, due to sequencing problems with Loop Maintenance Operations System (LMOS), certain CLEC trouble reports were improperly reported as retail trouble reports potentially impacting the accuracy of PMs 5a, 10a, 11a, 12a, and 13a.

#### **PM 5b**

##### **AIT**

1. This PM was impacted by AIT PM 4b-1 above.

#### **PM 5c**

##### **SWBT**

1. For May 2000, certain orders for a CLEC were reported in the incorrect state. This was restated in July 2000.
2. For the months of January through July 2000, certain circuits were reported in the incorrect geographic area when reporting results. These results were not restated.
3. Version 1.7 of the Business Rules provides for a certain exclusion related to certain DSL loops. SWBT adopted 1.7 in late 2000. SWBT's systems are not designed to identify these exclusions.
4. This PM was also impacted by SWBT PM 4b-1 above.

##### **AIT**

1. This PM was impacted by AIT PM 4b-1 above.

##### **PB/NB**

1. For PB only, July and August 2000 results were restated in February 2001 due to errors detected in a CLEC data reconciliation.
2. For PB only, January and February 2000 results for PMs 5c, 6c, 8, and 11c were restated in September 2000 due to data errors.
3. For NB only, January and February 2000 results for PMs 5c, 10b, 11c, 12d, and 13c were restated in December 2000 due to data errors related to 8db loops.
4. For NB only, October 2000 results for PMs 5c, 10b, 11c, 12d, and 13c were restated in November 2000 due to the omission of trouble tickets. This restatement for PM 13c was also issued to restate line counts.
5. This PM was also impacted by PB/NB PMs 3-1 and 4c-3 above.

##### **SNET**

1. This PM was impacted by SNET PM 4c-1 above.

### **PM 6a**

#### **SWBT**

1. August and September 2000 results improperly included certain orders. Restated in November 2000.
2. This PM was also impacted by SWBT PM 4a-1 above.

#### **AIT**

1. Calculation of intervals was improper which impacted January and February 2000 results. Results were restated in April 2000.
2. Order entry errors resulted in errors in reporting for PMs 6a, 6b, and 6c for the months of January and March 2000. Results were restated in April 2000.
3. During 2000, results omitted an exclusion. This was not restated.

#### **PB/NB**

1. For PB only, January 2000 results for PMs 6a, 6b, and 6c were restated in March 2000 for certain levels of disaggregation.
2. For PB only, October through December 2000 results for PMs 6a, 6b, 7b, and 7c were restated in February 2001 due to data calculation errors.

#### **SNET**

1. July through December 2000 results were restated in April 2001 due to the omission of an exclusion. Additionally, two Z scores reported for August 2000 were restated in 2001 due to a data entry error.

### **PM 6b**

#### **AIT**

1. This PM was impacted by AIT PM 4b-1 above.

#### **PB/NB**

1. This PM was impacted by PB/NB PMs 6a-1 and 6a-2 above.

### **PM 6c**

#### **AIT**

1. September through November 2000 results were restated in January 2001.

#### **PB/NB**

1. For NB only, July 2000 results for PMs 6c and 8 were restated in September 2000 to correct for misclassified data for certain levels of disaggregation.
2. This PM was also impacted by PB/NB PMs 4c-3, 5c-2, and 6a-1 above.

### **PM 7a**

#### **SWBT**

1. This PM was impacted by SWBT PM 4a-1 above.

### **PM 7b**

#### **AIT**

1. This PM was impacted by AIT PM 4b-1 above.

#### **PB/NB**

1. This PM was impacted by PB/NB PM 6a-2 above.

### **PM 7c**

#### **SWBT**

1. Improper exclusion of two market offices for a level of disaggregation for the period of January through May 2000. This was reported in the prior year. Information is not available to restate.
2. March through June 2000 were restated for PMs 7c, 10b, and 12c in August 2000 due to CLEC data being improperly reported between Kansas and Missouri.

#### **AIT**

1. This PM was impacted by AIT PM 4b-1 above.

#### **PB/NB**

1. This PM was impacted by PB/NB PM 6a-2 above.

#### **SNET**

1. A Z score reported for July 2000 and one for August 2000 were incorrectly reported. SNET has not yet restated, but represented that they will restate this result.
2. This PM was also impacted by SNET PM 4c-1 above.

### **PM 8**

#### **SWBT**

1. Z scores for October 2000 omitted in filing and were restated in November 2000.
2. Data extraction of source data resulted in reporting of improper results in the months of January through July 2000 for PMs 8 and 9. This was restated in August 2000.

#### **PB/NB**

1. For PB only, March 2000 results were restated in May 2000 to properly report Z-values for DSL products.
2. This PM was also impacted by PB/NB PMs 3-1, 4c-3, 5c-2, and 6c-1 above.

#### **SNET**

1. For July through December 2000, an exclusion related to "customer requested due date beyond the offered interval" was not taken in reporting the results. Results will not be restated.

### **PM 9**

#### **SWBT**

1. Improper calculation of response time for months of March through October 2000. This was reported in prior year. This was restated in November 2000.
2. This PM was also impacted by SWBT PM 8-2 above.

#### **AIT**

1. October 2000 results were restated in November 2000 to include certain data.

#### **PB/NB**

1. Response time was improperly calculated during the Evaluation Period. This issue was reported in prior year. October through December 2000 results were restated in July 2001.
2. For NB only, October 2000 results were restated in April 2001 to add Z scores that had been omitted.

3. For NB only, October and December 2000 results were misstated due to a level of disaggregation reported in hours and minutes instead of hours and fractions of hours.

### **Maintenance**

#### **PM 10a**

##### **SWBT**

1. This PM was impacted by SWBT PM 5a-1 above.

#### **PM 10b**

##### **SWBT**

1. This PM was impacted by SWBT PM 7c-2 above.

##### **PB/NB**

1. For NB only, December 2000 results were restated in January 2001 related to results for a CLEC and a level of disaggregation.
2. For PB only, August 2000 results for PMs 10b, 11c, 12c, and 13c were restated in November 2000 to properly reflect line sharing related to affiliate transactions.
3. For PB only, March 2000 and May through August 2000 results for PMs 10b, 11c, 12c, and 13c were restated in various months of 2000 due to the omission of data.
4. For PB only, January through March 2000 Z scores for PMs 10b, 11c, 12c, and 16 were restated in May 2000.
5. This PM was also impacted by PB/NB PMs 4c-2, 4c-3, 5c-3, and 5c-4 above.

##### **SNET**

1. July 2000 results for PMs 10b and 13c included incorrect data that impacted certain levels of disaggregation. SNET has not yet restated, but represented that they will restate this result.

#### **PM 11a**

##### **SWBT**

1. This PM was impacted by SWBT PM 5a-1 above.

##### **AIT**

1. Due to a system issue, dates for POTS maintenance were advanced one day beginning on February 29, 2000. This resulted in certain orders reported in the incorrect month and impacted PMs 11a, 12a, and 13a. This was not restated.

##### **PB/NB**

1. For NB only, June 2000 results were restated in July 2000 to include data related to two CLECs' results.

#### **PM 11b**

##### **AIT**

1. This PM was impacted by AIT PM 4b-1 above.

##### **PB/NB**

1. For PB only, May through July 2000 results for PMs 11b, 12b, and 13b were restated in September 2000 due to the omission of data or the incorrect inclusion of certain data. Additionally, April 2000 results were restated in June 2000.

### **PM 11c**

AIT

1. This PM was impacted by AIT PM 4b-1 above.

PB/NB

1. This PM was impacted by PB/NB PMs 4c-3, 5c-2, 5c-3, 5c-4, 10b-2, 10b-3, and 10b-4 above.

SNET

1. This PM was impacted by SNET PM 4c-1 above.

### **PM 12a**

SWBT

1. This PM was impacted by SWBT PM 5a-1 above.

PB/NB

1. For PB only, October through December 2000 results for PMs 12a, 12b, and 12c were restated in February 2001 due to adjustments to numerators, denominators, and standard deviations.

### **PM 12b**

AIT

1. This PM was impacted by AIT PM 4b-1 above.

PB/NB

1. For PB only, March 2000 results for PMs 12b and 12c were restated due to the omission of data, incorrect data, and the numerator and denominator being reported in hours and minutes instead of hours and fractions of hours (did not impact the quotient). This was restated in May 2000. May 2000 results for PMs 12b and 12c were restated due to the improper classification of data. This was restated in July 2000.
2. This PM was also impacted by PB/NB PMs 1-5, 11b-1, and 12a-1 above.

### **PM 12c**

SWBT

1. This PM was impacted by SWBT PM 7c-2 above.

AIT

1. Eligible exclusions related to interconnection trunks and UNE combos were not taken in January through March 2000. This impacted PMs 12c and 13c and was restated in June 2000.
2. For PB only, April 2000 Z scores for PMs 12c and 13c were restated in June 2000.
3. This PM was also impacted by AIT PM 4b-1 above.

PB/NB

1. For NB only, August and November 2000 results were restated in 2000 and 2001, respectively, due to errors in reporting certain data for specific CLECs.
2. This PM was also impacted by PB/NB PMs 1-5, 4c-2, 4c-3, 10b-2, 10b-3, 10b-4, 12a-1, and 12b-1 above.



**SNET**

1. This PM was impacted by SNET PM 4c-1 above.

**PM 12d**

**PB/NB**

1. This PM was impacted by PB/NB PMs 5c-3 and 5c-4 above.

**PM 13a**

**SWBT**

1. This PM was impacted by SWBT PM 5a-1 above.

**PB/NB**

1. For NB only, January through July 2000 results were restated in August 2000 due to UNEs in service that were improperly reported. Reported in prior year.
2. For NB only, June and July 2000 results for PMs 13a, 13b, and 13c were restated in September 2000 due to errors in data related to access lines.

**PM 13b**

**SWBT**

1. January 2000 results for PM 13b related to an SWBT state were restated in 2000.
2. This PM was also impacted by SWBT PM 4b-1 above.

**AIT**

1. This PM was impacted by AIT PM 4b-1 above.

**PB/NB**

1. For PB only, February through September 2000 results for PMs 13b and 13c were restated in 2000 due to an error in the data used.
2. This PM was also impacted by PB/NB PMs 11b-1 and 13a-2 above.

**PM 13c**

**AIT**

1. This PM was impacted by AIT PMs 4b-1 and 12c-1 above.

**PB/NB**

1. For PB only, September and November 2000 results were restated in December 2000 and January 2001, respectively, due to incorrect data related to line sharing, a spreadsheet conversion error, and the omission of data.
2. For NB only, February and March 2000 results were restated in September 2000 due to the omission of certain access lines.
3. For NB only, February 2000 results did not include interconnection trunk data. Results were not restated.
4. This PM was also impacted by PB/NB PMs 4c-2, 4c-3, 5c-3, 5c-4, 10b-2, 10b-3, 13a-2, and 13b-1 above.

**SNET**

1. November 2000 results reported omitted results for two levels of disaggregation. SNET has not yet restated, but represented that they will restate this result.
2. This PM was also impacted by SNET PM 4c-1 above.

**Interconnection**

**PM 14**

**PB/NB**

1. For PB only, proper levels of geographic disaggregations for PMs 14 and 15 were not reported. This was reported in prior year. Results were restated in October 2000 for PM 14 and August 2000 for PM 15.

**PM 15**

**AIT**

1. Eligible exclusion was not taken in May 2000 and results were restated in July 2000.

**PB/NB**

1. For PB only, April and May 2000 results were restated in April 2001 to correct data errors. Additionally, June 2000 results were restated in October 2000 to correct data classifications.
2. This PM was also impacted by PB/NB PM 14-1 above.

**Local Number Portability Except PB/NB which are Coordinated Conversions**

**PM 16**

**SWBT**

1. January 2000 results were restated in May 2000 due to errors detected in a CLEC data reconciliation.
2. This PM was also impacted by SWBT PM 1-3 above.

**AIT**

1. Due to clerical input errors, February and March 2000 reported results were restated in July 2000.

**PB/NB**

1. January through March 2000 results were restated in May 2000 due to errors in data.
2. For NB only, April 2000 results were restated in August 2000 due to errors in data.
3. For PB only, July and August 2000 results were restated in February 2001 due to errors detected in a CLEC data reconciliation.
4. This PM was also impacted by PB/NB PMs 1-5 and 10b-4 above.

**SNET**

1. Underlying data to support results for July 2000 was not retained by SNET. Additionally, October, November, and December 2000 results contained calculation or clerical errors. SNET has not yet restated, but represented that they will restate this result.

**Collocation**

**PM 17**

**AIT**

1. Due to clerical input errors, October 2000 reported results were restated in December 2000.

2. Transaction testing performed revealed seven collocation applications that did not include date stamps and two collocation projects where completion date was incorrect. These errors impact the reliability of the data used to report PM 17.

**PB/NB**

1. January 2000 results were restated in February 2001 to separate the results reported for one CLEC into two CLECS.
2. April through June 2000 results were restated in February 2001 due to errors in data.
3. For NB only, several May 2000 transactions were recorded in June 2000 results.

**Billing**  
**PM 18**

**SWBT**

1. Billings during 2000 improperly excluded billings for facilities or UNEs. Reported in prior year. Information will not be restated.
2. This PM was also impacted by SWBT PM 1-3 above.

**AIT**

1. For the months of January through April 2000, billings improperly excluded billings for UNEs. Information will not be restated.

**SNET**

1. Certain underlying data to support results for August 2000 was not retained by SNET. Additionally, two CLEC account numbers were not located in the results reported for August and November 2000.
2. July 2000 results contained a clerical error. SNET has not yet restated, but represented that they will restate this result.

**OSS**  
**PM 19**

**SWBT**

1. July and September 2000 results were improperly reported for certain levels of disaggregation. July results were restated in September 2000 and September results were restated in November 2000.

**AIT**

1. For November 2000 the numerator and denominator for a certain level of disaggregation were reported in seconds rather than hours. This did not impact the quotient reported.

**PB/NB**

1. For January 2000 system outages outside SBC Help Desk hours could not be captured and reported. This was reported in the prior year.
2. For NB only, June 2000 results were restated in August 2000 due to data improperly excluded.

**Interconnection**  
**PM 20**

**PB/NB**

1. For PB only, August 2000 results were restated in October 2000 due to the omission of data.
2. For NB only, January and February 2000 results were restated in April and May 2000, respectively, due to incorrect data.
3. For NB only, November 2000 results did not include certain data. Results were not restated.

**Other Matters**

1. During 2000 SWBT changed from Version 1.5 to Version 1.6 and then ultimately Version 1.7 of the Business Rules. Subsequent to these changes, certain measures were improperly reported due to conversion to Version 1.6. SWBT restated all of these exceptions in the subsequent monthly reporting period.
2. In AIT for DSL measures involving parity comparisons between the CLEC aggregate and the ILEC/ASI and in instances where there were no state specific ILEC/ASI results, the parity determination was made based on a CLEC versus regional comparison. The CLEC results should have been compared to the AIT results within the same state. Results were restated in May 2001.
3. At the direction of the Texas Public Utility Commission (TPUC), in 2001 SWBT will begin reporting UNE-P orders as orders that would flow through its EASE system. SWBT does not believe its reporting during 2000 was in error.
4. In PB's October 2000 electronic submission of results to the FCC, certain results for prior months (i.e., January through September 2000) were omitted. PB has indicated that these errors stem from the use of two databases that house FCC data. The first database is used to provide information for the use of the CLEC web site and the calculation of remedies. The clone database, located in California, is used to generate the Excel files that are submitted to the FCC monthly. The process of generating these Excel files resulted in the omission of data.



## **Report of Management on Compliance With the Merger Conditions**

Management of SBC Communications Inc. ("SBC") is responsible for complying with the conditions set forth in the Merger Conditions<sup>1</sup> during the Evaluation Period<sup>2</sup>. At the direction of the FCC, management's assertions that follow do not relate to compliance over Conditions 1, "Separate Affiliate for Advanced Services" and 24, "Additional

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<sup>1</sup> Merger Conditions are set forth in the Appendix C of the Federal Communications Commission's (FCC's) Order Approving the SBC/Ameritech Merger. *Applications of Ameritech Corp. and SBC Communications Inc. for Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Section 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, 90, 95 and 101 of the Commission's Rules*, CC Docket No. 98-141, *Memorandum Opinion and Order*, 14 FCC Rcd 11712 (1999) (SBC/Ameritech Order). Condition 11 "Collocation Compliance" of the Merger Conditions requires the Company to provide collocation consistent with the FCC's Collocation Rules as defined in *Deployment of Wireline Service Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, *First Report and Order* (FCC 99-48), 14 FCC Rcd 4761 (1999), as modified by *GTE Service Corporation v. FCC*, 205 F.3d 416 (D.C. Cir. 2000) ("GTE Service Corporation"), and as modified and expanded by *Deployment of Wireline Service Offering Advanced Telecommunications Capability and Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket Nos. 98-147 and 96-98, *Order on Reconsideration And Second Further Notice Of Proposed Rulemaking In CC Docket No. 98-147 And Fifth Further Notice of Proposed Rulemaking in CC Docket No. 96-98* (FCC 00-297), 15 FCC Rcd 17806 (2000), as modified by the waiver granted to SBC in *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, *Memorandum Opinion and Order* (DA 00-2528), released November 7, 2000 ("Waiver Order"), and collocation rules codified in 47 C.F.R. Sections 51.319 (a)(2)(iv), 51.321 and 51.323 as modified by GTE Service Corporation and by the waiver granted to SBC in the Waiver Order. Additionally, "Collocation Compliance" as referenced in this management report includes compliance with certain collocation-related requirements applicable only to SBC/Ameritech, which were adopted as conditions to the FCC's order modifying the separate affiliate for advanced services requirements of the Merger Conditions. *Application of Ameritech Corp., Transferor, and SBC Communications, Inc., Transferee, For Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Sections 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, 90, 95, and 101 of the Commission's Rules*, CC Docket No. 98-141 and ASD File No. 99-49, *Second Memorandum Opinion and Order* (FCC 00-336), App. A, paras. 5(a), 5(b)(1), 5(b)(2), 5(c), 5(d) and 6 (rel. Sept. 8, 2000) ("Pronto Order"). As a result of the court's ruling in *ASCENT v. FCC*, 235 F.3d 662 (D.C. Cir. 2001), the separate affiliate for advanced services requirements in the Merger Conditions, including the collocation-related and other requirements adopted in the Pronto Order, automatically sunset no later than January 9, 2002. *SBC/Ameritech Order*, 14 Rcd 11712, App. C, Para. 12c; *Pronto Order*, FCC 00-336, App. A, para. 9. See also, *Application of GTE Corp. and Bell Atlantic Corp. for Consent to Transfer Control of Domestic and International Section 214 and 310 Authorizations and Applications to Transfer Control of a Submarine Cable Landing License*, CC Docket No. 98-184, *Order*, DA 01-1717, at para. 1, note 2 (rel. Jul. 19, 2001)(concluding that, under a comparable sunset provision in the Bell Atlantic/GTE merger, "the advanced services affiliate requirement will automatically sunset on January 9, 2002").

<sup>2</sup> The Evaluation Period is January 1, 2000 through December 31, 2000, with the exception of Condition 11, "Collocation Compliance" which is June 9, 2000 through December 31, 2000 and the exception of Pronto Order Appendix A compliance which is September 8, 2000 through December 31, 2000.

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Service Quality Reporting” of the Merger Conditions. Management is also responsible for establishing and maintaining effective internal control over compliance with the Merger Conditions.

Management has performed an evaluation of SBC’s compliance with the requirements of the Merger Conditions for the Evaluation Period. Based on this evaluation, we assert that during the Evaluation Period, SBC complied with all requirements of the Merger Conditions considering the interpretations in assertion 11 and except as specifically noted in assertions 3.d., 7.a., 11.c., 14.b., 15.b., and 26. In addition, as summarized below SBC provides further information regarding compliance with the Merger Conditions.

**Promoting equitable and efficient Advanced Services deployment**

*1. Separate Affiliate for Advanced Services*

As provided in paragraph 67 of the Merger Conditions, compliance with this condition is addressed in a separate agreed-upon procedures engagement performed by Ernst & Young LLP (“E&Y”).

*2. Discounted Surrogate Line Sharing Charges*

The Company<sup>3</sup> complied with the requirements of this Condition by continuing to offer the Surrogate Line Sharing discount to unaffiliated Competitive Local Exchange Carriers (“CLECs”) in accordance with Paragraph 14 of the Merger Conditions during the period in which the Company provided interim line sharing to an SBC advanced services affiliate. This condition expired effective on the date when line sharing was implemented on May 29, 2000.

*3. Advanced Services Operations Support Systems (“OSS”)*

The Company complied with the requirements of this Condition in the following manner:

- a. Not later than 180 days after the Merger Closing Date (“MCD”) or October 8, 1999, SBC provided telecommunications carriers within the states of Arkansas, California, Kansas, Missouri, Nevada, Oklahoma, and Texas with access to the same pre-order interfaces utilized by SBC’s retail operations in those states to provide theoretical loop length information, or SBC’s retail operations utilized the

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<sup>3</sup> The word “Company” or “Companies” used throughout this assertion refers to SBC telephone operating companies, operating as Incumbent Local Exchange Carriers (ILECs), collectively, as follows: Illinois Bell Telephone Company; Indiana Bell Telephone Company, Incorporated; Michigan Bell Telephone Company; The Ohio Bell Telephone Company; Wisconsin Bell, Inc.; Nevada Bell Telephone Company (Nevada Bell or NB); Pacific Bell Telephone Company (Pacific Bell or PB); The Southern New England Telephone Company (SNET); and Southwestern Bell Telephone Company (SWBT). The words “Ameritech Operating Companies” or “Ameritech states” used throughout this assertion refers to Illinois Bell Telephone Company; Indiana Bell Telephone Company, Incorporated; Michigan Bell Telephone Company; The Ohio Bell Telephone Company; and Wisconsin Bell, Inc. collectively.

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- same Datagate and/or Verigate pre-order interfaces that were available to unaffiliated telecommunications carriers to obtain theoretical local loop length information. Additionally, SBC provided unaffiliated telecommunications carriers access to SBC's existing Electronic Data Interchange ("EDI") interface for ordering within the states of Illinois, Indiana, Michigan, Ohio, and Wisconsin.
- b. The Company offered to provide unaffiliated telecommunications carriers with direct access to the Service Order, Retrieval, and Distribution ("SORD") system or equivalent service order processing systems for pre-ordering and ordering xDSL and advanced services.
  - c. The Company met the following milestones regarding the development and deployment of enhancements to SBC's existing Datagate and EDI interfaces:
    - 1. On January 6, 2000 (prior to 90 days after the MCD), SBC began Phase 2 of the development and deployment of enhancements to existing Datagate and EDI interfaces.
    - 2. On April 3, 2000 (by the extended March 31, 2000 deadline granted by the FCC on March 13, 2000 and subsequently extended to April 3, 2000 via email from the Deputy Chief, Common Carrier Bureau), SBC filed an amended Plan of Record ("POR") and a list of open/disputed items. Phase 2 of the POR ended, and Phase 3 began, on December 22, 2000, when the FCC directed SBC/Ameritech to implement its plan in its entirety.
    - 3. The Company, immediately following the April 3, 2000 filing, continued its deployment of enhancements to the existing Datagate or EDI interfaces for pre-ordering and ordering xDSL and other advanced services in all of the required SBC states. SBC has until October 22, 2001 to fully implement these enhancements.
  - d. During the Evaluation Period, the Company provided telecommunications carriers a discount of 25 percent from the recurring and nonrecurring charges for unbundled loops used to provide advanced services. However, discounts were not consistently provided in all regions of the Company. The Company has taken corrective action where needed to provide future discounts correctly and is completing the issuance of discounts and appropriate interest retroactively.

*4. Access to Loop Information for Advanced Services*

The Company complied with the requirements of this Condition in the following manner:

- a. SBC provided CLECs with non-discriminatory access to the same local loop information for the deployment of xDSL and advanced services that was available to SBC's retail operations, including the retail operations of the advanced services affiliates.
- b. SBC provided unaffiliated telecommunications carriers with non-discriminatory, electronic pre-order OSS access to the theoretical loop length on an individual address basis. This information was made available via electronic means in the states of Arkansas, California, Connecticut, Kansas, Missouri, Oklahoma, Texas and Nevada. Electronic pre-order OSS access was not required in the Ameritech

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states until 22 months after MCD, however SBC made preorder electronic access to loop length by individual address available on April 5, 2000 in the Ameritech region and on July 22, 2000 in the SNET region.

- c. SBC provided unaffiliated telecommunications carriers with non-discriminatory, electronic pre-order Internet access to theoretical loop length based upon a zip code of end users in a wire center at no additional charge by October 10, 2000 (within 12 months of the MCD).
- d. SBC provided unaffiliated telecommunications carriers with non-discriminatory access to loop make-up information regarding the capability of loops to support advanced services that is available in SBC's records, in response to address-specific written requests. Pricing for this manual process was in compliance with any applicable FCC pricing rules for Unbundled Network Elements (UNEs). The Company began providing non-discriminatory electronic access to loop make-up information that is contained within certain back-end OSS in the Ameritech region effective April 5, 2000; SWBT, Pacific Bell and Nevada Bell regions effective April 29, 2000; and SNET effective July 22, 2000.

**5. *Loop Conditioning Charges and Cost Studies***

The Company complied with the requirements of this Condition by filing all required cost studies with proposed rates for conditioning xDSL loops by April 5, 2000 (within 180 days of the MCD). The proposed rates were based on FCC and state commission UNE pricing requirements.

While final approval of state-specific rates was pending, interim loop conditioning rates for xDSL loops were made available to advanced services providers. Additionally, no charge was assessed for conditioning loops of less than 12,000 feet (based on theoretical loop length) and authorization to perform and agreement to pay were obtained from the provider before proceeding with conditioning work identified by SBC.

**6. *Non-discriminatory Rollout of xDSL Services***

The Company complied with the requirements of this Condition in the following manner:

- a. SBC offered to consult with the state commissions on the designation of SBC wire centers as urban or rural. Subsequent to the offer and within 90 days of the MCD, SBC classified all SBC wire centers as either urban or rural wire centers.
- b. SBC identified the 10 percent of urban and rural wire centers within SBC in each state that have the greatest number of low-income households (Low-Income Pool) using the latest available census data.
- c. After April 5, 2000 (180 days after the MCD) and when SBC had deployed xDSL in at least 20 urban or 20 rural wire centers in a particular state, at least 10 percent of the urban or rural wire centers in which xDSL had been deployed were wire centers identified from the Low-Income Pool.



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- d. Beginning on April 1, 2000 (within 180 days of the MCD), SBC began filing quarterly reports with the FCC describing the status of the xDSL roll-out. In the reports filed during the Evaluation Period, a few wire centers were initially listed in the wrong income group (i.e., some wire centers were listed under the "high income" group when they should have been under the "low income" group, and vice versa). This error was identified, and corrected information was provided to the FCC. It had no impact on SBC's compliance with the requirement to deploy xDSL in 10 percent of the urban or rural wire centers identified from the Low-Income Pool by the time when SBC had deployed xDSL in at least 20 urban or 20 rural wire centers in a particular state (see paragraph 6.b above).

**Ensuring Open Local Markets**

*7. Carrier-to-Carrier Performance Plan (Including Performance Measurements)*

The Company complied with the requirements of this Condition in the following manner:

- a. SBC reported, on a monthly basis and in each of its states according to the schedule established in Appendix A to the Merger Conditions, its performance in 20 measurement categories (with sub-measurements) that address functions that may have a particularly direct effect on CLECs and their customers. The Company provided the FCC staff with the required performance measurement data for each month during the year 2000 for the SWBT, Pacific Bell, Nevada Bell, and the Ameritech states. These files were transmitted by the 20<sup>th</sup> of each month or the first business day after the 20<sup>th</sup> when the due date was on a weekend or federal holiday. In addition, these performance measurement results were also posted to the SBC Internet web site coincident with the monthly transmittals to the FCC staff. While substantially correct, as explained in Attachment A, occasionally certain data errors were either restated or corrected prospectively. Accordingly, the performance measurement data for the Company as filed with the FCC, for the Evaluation Period was complete and accurate except as noted in Attachment A.
- b. SBC implemented the performance measurements shown in Appendix A, Attachments A-2a and A-5a of the Merger Conditions within the Ameritech states and SNET. The Company provided the FCC staff with the required two months of performance measurement data for measurements 2, 4-5, 10-13, 15, and 17-19 in the Ameritech states on January 6, 2000. Notice of satisfaction of this deadline was filed with the FCC on January 6, 2000. SBC also provided two months of performance measurement data in the Ameritech states for measurements 1, 3, 6-9, 14, 16, and 20 on March 6, 2000. Notice of satisfaction of this deadline was filed with the FCC on March 6, 2000. SBC provided two months of performance measurement results for SNET on October 10, 2000. Notice of satisfaction of this deadline was filed with the FCC on October 18, 2000. For both the phased implementations in the Ameritech states and SNET, these performance

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measurement results were also simultaneously posted to the SBC Internet web site.

- c. SBC provided the FCC with notice of any changes to the design or calculation of the Carrier-to-Carrier Performance Plan adopted by the Texas or California State Commissions. SBC notified the FCC on May 1, 2000 that the Texas Public Utility Commission had ordered changes to the Texas performance measurements. As directed by the FCC on May 30, 2000, these changes were implemented for the SWBT region effective May 1, 2000. SBC further notified the FCC in September 2000 of additional changes to the business rules ordered by the Texas Public Utility Commission. As directed by the FCC on November 8, 2000, SBC implemented all these measures, except as described below, for the SWBT states of Arkansas, Kansas, Missouri, and Oklahoma, according to the schedule approved by the Texas Commission. Since the Chief also directed SBC at that time not to make any changes that would exclude data from the FCC performance measurements that would in turn be measured in Texas-only measurements, SBC held in abeyance the implementation of proposed changes of measures 1, 6c, 12c, and 13c.
- d. SBC notified the FCC on May 25, 2000 that by order of the California Public Utility Commission, changes had been made to that state's business rules. As directed by the FCC on May 31, 2000, SBC implemented these changes to the measurements effective June 1, 2000 in the states of California and Nevada.
- e. The Carrier-to-Carrier Performance Plan was effective for the SBC service area within each state, except for Connecticut, until the earlier of (i) 36 months after the date that SBC was first potentially obligated to make Plan payments for that state, or (ii) the first date on which SBC was first authorized to provide in-region, interLATA services in that state. The FCC approved the Texas 271 application on June 30, 2000, effective July 10, 2000 (DA 00-1559, Released July 12, 2000). Accordingly, SBC provided the final report of Texas performance measures for June 2000 activity on July 20, 2000.
- f. The Carrier-to-Carrier Performance Plan attached the obligation for SBC to make voluntary payments to the U.S. Treasury in all SBC states, except Connecticut, for performance measurement results 270 days after the MCD. Effective August 1, 2000, SBC's performance results in all states except Connecticut and Texas were used to calculate voluntary payments to the U.S. Treasury as set forth in the Merger Conditions. Since June 1999, SBC and the FCC have been engaged in a dialogue regarding the appropriate application of the payment calculation methodology in certain circumstances. In particular, the FCC and SBC have discussed how to perform a parity comparison when no retail data exists, whether there should be a minimum sample size to support a statistical inference that SBC's performance is out of parity or does not meet a benchmark, whether the methodology should be applied in a such a way as to avoid generating negative payments, and whether SBC is obligated to make payments on calculated observations when they exceed the total number of CLEC transactions. During the Evaluation Period, SBC calculated payments using its proposed payment calculation methodology, which was endorsed by the Texas Commission on June 28, 2000, and presented to the FCC staff on June 29, 2000. SBC further

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documented this methodology in a proposal submitted to FCC staff on August 10, 2000. On December 11, 2000, FCC staff provided SBC guidance regarding the payment calculation methodology, in which it rejected SBC's proposals for each of the foregoing four items. In a December 13, 2000, conference call with FCC staff, SBC raised questions regarding the FCC's guidance regarding those four items, and urged the FCC to reconsider. SBC further questioned whether it should implement the FCC's December 11 guidance immediately, or await further guidance, in light of the cost and development effort necessary to re-program its systems to accommodate any such guidance and the possibility that such resources might be unnecessary and require additional modification or reversal if these matters were reconsidered by the FCC. While FCC staff stated that their December 11 letter was their official guidance, they indicated that they would examine these issues further. SBC later memorialized the discussions of the December 13<sup>th</sup> call in a January 4, 2001 letter to the FCC. In that letter, SBC provided further explanation regarding its interpretation and confirmed SBC's understanding that the Company was not expected to alter its programming until the FCC concluded its additional review, which SBC expected would be completed expeditiously. Since that time, SBC and FCC staff have engaged in periodic dialogue concerning these four issues, and SBC has, with the knowledge of the FCC staff, continued to apply its interpretation of the appropriate payment calculation methodology, with the understanding that, once it reached closure with the staff on these issues, it would recalculate its payments consistent with the FCC's ultimate guidance, and, if necessary, issue appropriate debits or credits. During the Evaluation Period, SBC remitted a voluntary payment within the required time frame to the U.S. Treasury for performance measurements missed during the months of August 2000 through October 2000. This voluntary payment was not included in the revenue requirements of an SBC ILEC. Additionally, SBC provided notification to the FCC that these payments had been made within the required time frame. Due to certain measurement reporting errors that can only be corrected on a prospective basis due to the inability of the Company to retrieve the underlying data necessary to restate the performance measures, the Company is unable to determine the impact, if any, of these errors on the voluntary payments that were made related to the Evaluation Period.

- g. Pursuant to the requirement that SBC and the Chief of the Common Carrier Bureau shall jointly review the 20 measurements on a semi-annual basis, meetings were held between the FCC and SBC on June 15, 2000 and November 30, 2000 to review the performance measurements. As a result of the June 15, 2000 meeting, SBC agreed to certain changes to the performance measurements which were implemented on August 1, 2000.

**8. *Uniform and Enhanced OSS***

The Company complied with the requirements of this Condition in the following manner:

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- a. SBC completed a publicly available Plan of Record consisting of an overall assessment of SBC's existing OSS interfaces, business processes and rules, hardware capabilities, data capabilities, and SBC's plan for developing and deploying uniform application-to-application and graphical user interfaces for OSS on March 6, 2000 within 150 days after the MCD. The Company filed notification with the FCC in accordance with the timelines specified in the Merger Conditions.
- b. On May 22, 2000, SBC filed an amended Plan of Record, which incorporated agreed upon items, and a list of open/disputed items. SBC and the CLECs continued to discuss the unresolved issues in dispute in an effort to resolve or narrow the list of disputed items. On August 8, 2000, SBC filed an updated amended POR, which incorporated agreed upon items, and a list of open/disputed items. On September 22, 2000, the FCC directed SBC to implement the POR in its entirety, moving the POR into Phase 3.
- c. SBC has offered to develop direct access to SORD and Ameritech's and SNET's equivalent service order processing systems, and to develop enhancements to the existing Electronic Bonding Interface ("EBI") for OSS that support maintenance and repair services.
- d. The requirement to file a Uniform Business Rules Plan of Record was not applicable during the Evaluation Period.
- e. On November 1, 2000 (within 12 months after commencement of negotiations on November 1, 1999), SBC notified state commissions of the status of SBC's plan for a uniform change management process ("CMP"). Consistent with Paragraph 32 of the Merger Conditions, SBC stated its intent to implement those components of the process on which agreement was reached, where feasible, and offered the plan on a provisional basis to the states. SBC requested additional time to continue negotiations with the participating CLECs and the FCC granted an extension until December 7, 2000. On December 7, 2000, SBC reached agreement with the CLECs on a 13-State CMP. On that date, SBC and the CLEC's notified the FCC of the agreement and that the revised CMP would be filed on December 8, 2000. SBC filed the 13-State CMP with the FCC on December 8, 2000 and offered to amend its interconnection agreements to include the CMP. Based on discussions with the FCC and CLECs, agreement was reached that the 13-State CMP was applicable to multi-state matters.
- f. All required notices regarding satisfaction of the target date for completion of various phases of the OSS Improvement Plan were completed within the timeframes required by the Merger Conditions.

**9. *Restructuring OSS Charges***

The Company complied with the requirements of this Condition during the Evaluation Period. SBC eliminated all charges to the Remote Access Facility and Information Services Call Center and eliminated manual processing charges in excess of the charges that apply for processing similar orders submitted electronically for orders of 30 lines or less where SBC does not make an electronic interface available.

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*10. OSS Assistance to Qualifying CLECs*

The Company complied with requirements of this Condition in the following manner:

- a. On October 18, 1999, the Company informed telecommunication carriers via Accessible Letters or an Internet website posting of the self-certification process allowing telecommunication carriers to assert that they qualify for assistance and of the availability, free of charge, of OSS expert teams.
- b. The Company created CLEC OSS Support Teams which included OSS experts dedicated to assisting qualifying CLECs with OSS issues.
- c. By January 6, 2000 (within 90 days of the MCD), the Company held CLEC training forums and discussed training and procedures that would be beneficial to qualifying telecommunication carriers.
- d. In several different forums held from January 25 through February 2, 2000 (within 120 days after the MCD), the Company notified all qualifying CLECs certificated and operating in SBC states of training and procedures offered to qualifying CLECs. The Company provided training to requesting CLECs.

*11. Collocation Compliance*

The Company complied with the requirements of this Condition 11 "Collocation Compliance" during the Evaluation Period in the following manner:

- a. SBC retained E&Y to perform an examination engagement and issue an attestation report on SBC's compliance with the FCC's collocation rules during the period from October 8, 1999 to June 8, 2000. On August 7, 2000, SBC issued its assertion and E&Y issued its attestation report regarding SBC's compliance for that period. Details on compliance and exceptions to compliance of Condition 11 from October 8, 1999 through June 8, 2000 are further detailed in SBC's August 7, 2000 Report of Management on Compliance with the FCC's Collocation Rules.
- b. SBC maintained the policy to issue refunds of 100 percent of the total non-recurring collocation costs to telecommunications carriers for collocation missed due dates in excess of 60 days. No such refunds were necessary because no due dates were missed in excess of 60 days.
- c. For the Condition 11 Evaluation Period, SBC provided collocation consistent with the FCC's Collocation Rules and paragraphs 5(a), 5(b)(1), 5(b)(2), 5(c), 5(d) and 6 of Appendix A to the Pronto Order, except as noted below.
  1. Title 47 Part 51.321(h) of the code of Federal Regulations requires the Company to maintain a publicly available document, posted for viewing on the ILEC's publicly available Internet site, indicating all premises that are full, and to update such a document within ten days of the date at which a premises runs out of physical collocation space. The Company's compliance with this rule, including the Company's collocation posting policy, is the subject of a FCC Enforcement Bureau action. See *In the Matter of SBC Communications Inc. Apparent Liability for Forfeiture*, File No. EB-00-IH-0326a NAL/Acct.

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No. 200132080015, *Order of Forfeiture*, DA 01-1273, rel. May 24, 2001 (Application for Review filed June 25, 2001). The Order states: "SBC's policy is to post notice of exhausted collocation space only when it determines exhaustion has occurred, 'as a general matter . . . pursuant to the denial or partial denial of a collocation application, though it sometimes is made in the course of approving such an application or conducting an internal floor space assessment.'" *Id.* at para. 6. The Order found that SBC's policy was in conflict with the collocation posting rule and the Company had violated the rule. During the Evaluation Period, in certain instances the Company posted updates to the Internet site after the required 10-day period. The Company implemented corrective action where needed, and has modified its posting policy, to ensure future postings are made on a timely basis. Concerning a modified posting policy, the Order stated: "We note that in SBC's pending application to the FCC to provide long distance service in Missouri, SBC proposed to modify its posting policy so as to post notice of a central office closing within 10 days of a collocation request or space assignment that would exhaust the collocation space at that central office. This approach would bring SBC into compliance with the rule." *Id.* at para. 10. SBC has adopted this modified posting policy and has put this approach into practice.

2. The Waiver Order requires the Company to notify a requesting carrier whether its physical collocation space request can be accommodated within eight business days (roughly, 11 calendar days) of the Company's receipt of a physical collocation application, except to the extent a state has set its own intervals. In certain instances the Company did not provide notification to the carrier within the appropriate timeline of whether its physical collocation space request could be accommodated. During the Evaluation Period, the Company centralized operations on a 13 state basis, implemented new procedures and strengthened existing processes to ensure timely responses.
  3. In some cases, the Company over or under billed collocation charges to affiliated and nonaffiliated telecommunications carriers. During the Evaluation Period, certain billings to unaffiliated carriers, primarily in the Ameritech Region, differed from the contracted or tariffed rate, and in some cases the Company did not bill its advanced services affiliates on a timely basis. During the Evaluation Period, the Company began to transition collocation billing into a centralized 13-state Collocation Services Center and implemented corrective action where needed to provide future billing correctly, and has or will issue appropriate adjustments.
- d. Paragraph 4 of the Merger Conditions issued on October 8, 1999 also addresses collocation in the context of the six-month transition period in which advanced services were being transitioned from the Company's ILECs to the Company's advanced services affiliate(s) as defined in Condition 1 of Appendix C. SBC further set forth its position on collocation activities during the six-month